



25 Sigourney Street
Hartford CT 06106-5032

STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

SN 2002(3)

SPECIAL NOTICE

2002 Legislation Increasing the Cigarette Tax and Affecting Licensed Cigarette Distributors That Are Not Stampers

Purpose: This Special Notice describes recently enacted legislation increasing the cigarette tax rate effective April 3, 2002, and imposing a tax, as of the close of business on April 2, 2002, on inventory of packages of cigarettes to which only an old cigarette tax stamp is affixed.

Effective Date: April 3, 2002.

Statutory Authority: 2002 Conn. Pub. Acts 1, §1 (amending Conn. Gen. Stat. §12-296), §2 (amending Conn. Gen. Stat. §12-316), and §3.

Definitions: As used in this Special Notice:

- *DRS* means the Department of Revenue Services.
- *Stamper* means a licensed distributor that may lawfully purchase unstamped packages of cigarettes and that affixes Connecticut cigarette tax stamps to those packages before selling them.
- *Unstamped packages of cigarettes* mean packages of cigarettes to which no Connecticut cigarette tax stamp is affixed.
- *Old cigarette tax stamp* means either a yellow \$.50 Connecticut cigarette tax stamp (for packages of 20 cigarettes) or an orange \$.625 Connecticut cigarette tax stamp (for packages of 25 cigarettes).
- *New cigarette tax stamp* means either a green \$1.11 Connecticut cigarette tax stamp (for packages of 20 cigarettes) or a blue \$1.3875 Connecticut cigarette tax stamp (for packages of 25 cigarettes).
- *Floor tax stamp* means either a red \$.61 Connecticut cigarette tax stamp (for packages of 20 cigarettes) or a brown \$.7625 Connecticut cigarette tax stamp (for packages of 25 cigarettes). The floor tax stamp is a self-adhesive, peel-and-stick stamp.

- *Participating distributor* means a licensed distributor (whether or not a stamper) who purchases floor tax stamps for resale to other licensed distributors or to licensed dealers.

Tax Rate Increase: The cigarette tax rate will increase from 25 mills to 55.5 mills per cigarette on April 3, 2002.

	Tax before 4-3-2002	Tax on or after 4-3-2002
Packages		
20 cigarettes per package	\$.50	\$1.11
25 cigarettes per package	.625	1.3875
Cartons		
10 packs per carton (20s)	\$5.00	\$11.10
10 packs per carton (25s)	6.25	13.875
8 packs per carton (25s)	5.00	11.10

Tax on Cigarette Inventory as of April 2, 2002: 2002 Conn. Pub. Acts 1, §3 imposes a tax on each distributor's inventory ("floor tax"), as of the close of business on April 2, 2002, of packages of cigarettes (including those in cartons) to which only an old cigarette tax stamp is affixed.

Floor Tax Stamps to Be Affixed as of the Close of Business on April 2, 2002, to Packages of Cigarettes to Which Only an Old Cigarette Tax Stamp Is Affixed: Payment of the floor tax shall be evidenced by affixing floor tax stamps. Each licensed distributor must affix a:

- Red \$.61 floor tax stamp to each package of 20 cigarettes to which only a yellow \$.50 Connecticut cigarette tax stamp is affixed.

- Brown \$.7625 floor tax stamp to each package of 25 cigarettes to which only an orange* \$.625 Connecticut cigarette tax stamp is affixed.

*red if a water-applied stamp

The floor tax stamps must be affixed as of the close of business on April 2, 2002. A floor tax stamp must be affixed to the bottom of a package of cigarettes next to the already affixed old cigarette tax stamp. Both cigarette tax stamps must be visible. Cartons containing packages of cigarettes to which only an old cigarette tax stamp is affixed must be opened, and a floor tax stamp must be affixed to each package of cigarettes within the carton.

Close of Business on April 2, 2002: If a licensed distributor's business closes after 11:59 p.m. on April 2, 2002, the cigarette inventory must be taken as of 11:59 p.m. on April 2, 2002, and the floor tax stamps must be affixed at that time.

Floor Tax Stamps Not Required to Be Affixed to Certain Packages of Cigarettes: A licensed distributor is not required to affix floor tax stamps to packages of cigarettes to which a new cigarette tax stamp is already affixed.

Cigarette Inventory Report: Each licensed distributor is required to complete and file form **AU-930-61**, *Distributor's Cigarette Inventory Report*, with DRS, reporting:

- Its inventory of packages of cigarettes to which only an old cigarette tax stamp is affixed as of the close of business on April 2, 2002;
- The quantity of floor tax stamps that the licensed distributor purchased, and whether the floor tax stamps were purchased from a participating distributor or from DRS; and
- If unused floor tax stamps were returned by the licensed distributor, the quantity of floor tax stamps that were returned, and whether the floor tax stamps were returned to a participating distributor or to DRS; **and**
- If a participating distributor:
 - The name of each licensed distributor or licensed dealer to whom floor tax stamps were sold and the quantity of floor tax stamps that were sold to each distributor or dealer; and

- If unused floor tax stamps are returned to the participating distributor, the name of each licensed distributor or licensed dealer who returned stamps and the quantity of stamps that were returned by each.

AU-930-61 must be filed no later than May 1, 2002, but may be filed sooner if all the required information is available sooner. The failure of a licensed distributor to complete and file the cigarette inventory report will be sufficient reason to revoke the distributor's license. Each licensed distributor also must retain a copy of its signed **AU-930-61** on its premises for inspection by DRS agents.

Purchase of Floor Tax Stamps: The floor tax stamps will be available for purchase starting March 20, 2002. Floor tax stamps may be purchased from a participating distributor or from DRS. All licensed distributors, whether or not stampers, may choose to be participating distributors.

Purchasing from DRS. To purchase floor tax stamps from DRS, a licensed distributor must complete form **OP-419-61**, *Order Form for Cigarette Floor Tax Stamps*. The licensed distributor may purchase the floor tax stamps by mail or in person at any DRS office. The licensed distributor will be entitled to a 1% discount on the purchase of the stamps. Payment for stamps must be made at the time of purchase by check or money order. Cash payments for floor tax stamps will not be accepted at any temporary DRS office or at any DRS office other than DRS headquarters.

Purchasing from DRS at a DRS office. Floor tax stamps may be purchased at the following dates, times, and locations:

DRS headquarters and DRS field offices

March 20-22	from 8:00 a.m. to 5:00 p.m.
March 25-28	from 8:00 a.m. to 5:00 p.m.
March 29 (Friday)	closed for state holiday
March 30 (Saturday)	from 9:00 a.m. to 1:00 p.m.
April 1 and 2	from 8:00 a.m. to 8:00 p.m.

Location of DRS offices

Headquarters:	25 Sigourney St., Hartford
Field offices:	
Norwich:	2 Cliff Street
Bridgeport:	10 Middle Street
Waterbury:	55 West Main Street
Hamden:	3074 Whitney Avenue (Bldg. #2)

For directions to DRS offices, visit the DRS Web site (www.drs.state.ct.us) and click on "Cigarette Tax Increase," or call **1-800-382-9463** (toll-free within Connecticut) or **860-297-5962** (from outside Connecticut) and press option "6".

Purchasing from DRS at a temporary DRS office. Floor tax stamps may also be purchased at a temporary DRS office in the Darien Town Hall and in the State Police Barracks for Troops C, E, F, and L, but *only* at the following dates and times.

Darien Town Hall (2 Renshaw Road, Darien)
April 1 and 2 from 9:00 a.m. to 4:00 p.m.

State Police Barracks for Troops C, E, F, and L
April 1 and 2 from 9:00 a.m. to 6:00 p.m.

Location of State Police Barracks

Troop C: 1320 Tolland Stage Road, Tolland
Troop E: Interstate 395 North (between Exit 79 and Exit 79A), Montville
Troop F: Connecticut Turnpike West, Westbrook
Troop L: 452 Bantam Road, Litchfield

Resale of Floor Tax Stamps: A participating distributor may purchase stamps for resale to other licensed distributors or to licensed dealers. This will facilitate the affixing of stamps by those distributors or dealers to packages of cigarettes to which only an old cigarette tax stamp is affixed. However, a participating distributor must take back any unused stamps from any person that purchased those stamps from the participating distributor, and allow a refund or credit for unused stamps, as long as the stamps are returned to the participating distributor no later than April 19, 2002.

Return of Unused Floor Tax Stamps: If a licensed distributor purchases floor tax stamps from DRS, and some of those stamps are not used, the licensed distributor must return the stamps to DRS either by mail or in person. In returning those stamps to DRS, the licensed distributor must bring or include both of the following items:

- **OP-420, Refund Request for Unused Cigarette Floor Tax Stamps.** DRS will furnish this form to the licensed distributor at the time the floor tax stamps are purchased; **and**
- The taxpayer receipt of form **OP-419-61** that was completed by the licensed distributor when purchasing the stamps from DRS.

If those unused stamps are returned to DRS no later than May 1, 2002, along with form **OP-420** and the taxpayer receipt of **OP-419-61**, the licensed distributor will be mailed a check refunding the floor tax paid on the unused stamps after DRS has examined the licensed distributor's **AU-930-61** and found it to be satisfactory. A licensed distributor **will not** be refunded the floor tax paid on the unused stamps at the time the licensed distributor returns the unused stamps.

If a licensed distributor purchases floor tax stamps from a participating distributor, and some of those stamps are not used, the licensed distributor must return the unused stamps to the participating distributor. If those unused stamps are returned to the participating distributor no later than April 19, 2002, the participating distributor must allow a refund or credit to the distributor.

Sales Before April 3, 2002, of Packages to Which a New Cigarette Tax Stamp Is Affixed:

Before April 3, 2002, a licensed distributor may purchase and sell packages of cigarettes to which a new cigarette tax stamp is affixed. This may simplify matters for the licensed dealers to whom the licensed distributor supplies cigarettes because they will not have to affix a floor tax stamp to any package of cigarettes to which a new cigarette tax stamp is affixed.

Enforcement: On or after April 3, 2002, packages of cigarettes to which only an old cigarette tax stamp is affixed are contraband, subject to confiscation. On or after April 3, 2002, any licensed distributor selling or offering to sell packages of cigarettes to which either a new cigarette tax stamp is not affixed, or both an old cigarette tax stamp and a floor tax stamp are not affixed, is subject to criminal sanctions including a fine, imprisonment, or both. (If more than 20,000 cigarettes are involved, the crime is a felony.) DRS audit and enforcement personnel will be out in force to ensure that floor tax stamps are properly affixed, and to confiscate improperly stamped packages of cigarettes. Any licensed distributor violating the law will also be subject to tax, penalty, and interest on improperly stamped packages of cigarettes, and will be subject to civil sanctions including the suspension or revocation of the distributor's license. Those wishing to report any distributor or dealer violating the law should contact the DRS Special Investigations Section at 860-297-5877 during business hours, Monday through Friday, 8:00 a.m. to 5:00 p.m.

Effect on Other Documents: None affected.

Effect of This Document: A Special Notice is a document that announces a new policy or practice in response to changes in State or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by DRS and may be referred to for general guidance by taxpayers or tax practitioners.

For Further Information on the Cigarette Tax Increase and the Floor Tax: Please call DRS during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday, at **860-297-5770**, or visit the DRS Web site at **www.drs.state.ct.us** and click on "Cigarette Tax Increase."

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Forms and Publications: Forms and publications are available all day, seven days a week:

- **Internet:** Preview and download forms and publications from the DRS Web site: **www.drs.state.ct.us**
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (toll-free within Connecticut) and select **Option 2** from a touch-tone phone.